

# THE CITY OF SAN DIEGO



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## NEWS RELEASE

### FOR IMMEDIATE RELEASE

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## Council Moves To Adopt Disclosure Practice Reforms

SAN DIEGO: This past Tuesday, I joined with a unanimous City Council to adopt major reforms to the City of San Diego's financial disclosure practices based on a report issued by the nationally renown law firm of Vinson and Elkins, L.L.P. The City Council engaged the firm to review the city's disclosure practices from January 1996 through February 2004 and to investigate whether the city failed to meet disclosure obligations concerning its funding of SDCERS.

The action we took makes San Diego's disclosure practices the most thorough of any municipality in the nation. I believe San Diego has set a precedent that will soon be adopted by other government agencies.

I wanted to take a few moments to explain to you the actions that Council took, give you a brief overview of the reforms offered, and provide you with links to both the Manager's Report and the Vinson and Elkins report in the event you want access to all the details contained in these documents.

Let me say from the outset that the action that the Council took on Tuesday represent the first steps in our efforts to regain the citizens' confidence in our ability to manage and report the city's finances. This Council needs to fix the problem, not assign blame. We have chosen to take the necessary steps to show the public, the rating agencies and the bond market that San Diego is serious about solving its financial disclosure problems, and we will do whatever it takes to make sure the city remains on solid fiscal ground and is worthy of investor support and public confidence.

Tuesday's actions were designed to eliminate any real or perceived conflicts of interest in our system. They were also implemented to produce sound processes with real checks and strict guidelines in an effort to produce accurate information. It is the absence of these processes in our disclosure practices over the past eight years that have caused the current problem. In response to this, we have taken these steps to ensure that we don't wind up in this type of situation ever again.

Specifically, what the Council did this past Tuesday was to adopt a proposed ordinance contained in the Vinson and Elkins report, with some minor technical amendments. Included in this ordinance are:

- 1) the establishment of a Financial Reporting Oversight Board to serve as an advisory board to the Mayor and City Council and City Manager on matters which relate to achieving a high standard of

quality in and efficacy of the city's financial reporting and disclosure.

2) the designation by the City Attorney of a Deputy City Attorney for Finance and Disclosure who shall be knowledgeable about federal and state securities laws relating to municipal finance to supervise those Deputy City Attorneys who are responsible for matters relating to city financings and disclosures.

3) the designation by the City Attorney of one or more Deputy City Attorneys to advise and assist the City Council in connection with matters related to financings, disclosures and other matters, including advising and assisting the members of the City Council in meeting requirements under federal and state securities laws.

4) the designation by the City Attorney of one or more Deputy City Attorneys as legal advisors to the Financial Reporting Oversight Board to provide any necessary and appropriate advice to that board. As part of this provision, the Oversight Board is allowed to obtain its own legal counsel if it so desires. I believe that counsel to the Oversight Board should be independent of the City Attorney's Office, and I have asked the City Attorney to make this part of this provision, if it is legally permissible.

5) the establishment by the City Manager, the City Attorney, the City Auditor and Comptroller, and the City Treasurer of a Disclosure Practices Working Group to ensure the compliance of the city (and the City Council and city officers and staff) with federal and state securities laws and to promote the highest standards of accuracy in disclosures relating to securities issued by the city.

6) the preparation of an annual report by the Retirement Board at the end of each fiscal year to provide information to all members concerning the retirement system.

7) the conducting of an annual evaluation of the city's internal financial controls on or before September 1st of every year by the City Auditor and Comptroller, in coordination with the City Manager.

The City Council will have a chance to take a second vote to confirm this ordinance in two weeks.

Additionally, as part of the motion that was approved, we asked that the Permanent Rules of the Council be amended so that disclosure documents can not be docketed on either the consent agenda or as a supplemental docket item, thus assuring full public notification and the opportunity for public discussion on these matters. It was asked that this matter be brought back before the Council within 30 days.

To view the complete Vinson and Elkins "Report on Investigation" go to the City of San Diego webpage at [www.sandiego.gov](http://www.sandiego.gov) and click on the "Financial Disclosure Report" icon along the right-hand margin, or go directly to <http://www.sandiego.gov/press/retirement040916.pdf>

To view the Manager's Report regarding the Vinson and Elkins Report, click on the "City Managers Report" link on the City Manager's page of the city's webpage at <http://www.sandiego.gov/city-manager/> and click on report # 04-213, or paste [http://clerkdoc.sannet.gov/RightSite/getcontent/local.pdf?DMW\\_OBJECTID=09001451800b1eee](http://clerkdoc.sannet.gov/RightSite/getcontent/local.pdf?DMW_OBJECTID=09001451800b1eee) in your web browser.

Should you have any further questions concerning this issue or these reports, please don't hesitate to contact my office at 619/236-6633.

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